

APPENDIX 5D

## LSP Comments on Draft Facility Study

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**Mason, Robert/SCO**

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**From:** Ali Amirali [AAmirali@LSPower.com]  
**Sent:** Thursday, June 22, 2006 12:14 PM  
**To:** altrump@sbcglobal.net  
**Cc:** Mason, Robert/SCO; Kevin Johnson  
**Subject:** FW: Comments on the draft Interconnection Facility Study report for South Bay  
**Attachments:** LS Power Comments on the draft IFS for South Bay Energy Facility.doc

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**From:** Ali Amirali  
**Sent:** Tuesday, May 23, 2006 2:23 PM  
**To:** RWinter@semprautilities.com  
**Cc:** John King; Kevin Johnson; Lawrence Willick; jnickel@caiso.com; altrump@sbcglobal.net; Ali Amirali; igreen@caiso.com; Randall Hickok  
**Subject:** Comments on the draft Interconnection Facility Study report for South Bay

***Pardon me if you receive this twice...the first time it came back as undeliverable!***

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Mr. Winter:

As promised, attached are our comments to the draft Interconnection Facility Study report that SDG&E had shared with the South Bay team and the CAISO. As mentioned in our comments, we would appreciate having a meeting with SDG&E and the ISO to discuss the issues we had outlined. If in the mean time, you have any questions, please contact me at (408) 204-7630.

Best regards

Ali Amirali  
LS Power Generation, LLC

6/22/2006

Mr. Winter:

Thank you for giving us the opportunity to review the draft Interconnection Facility Study (IFS) for South Bay Energy Facility (SBEF) repowering project and for compiling the minutes of our conference call to discuss the draft IFS report. We were pleased that the results of the technical studies (power flow, short circuit and stability analysis) verified that the project can be interconnected to the transmission grid and the output of this facility can be integrate into the transmission system and dispatched without requiring any transmission line upgrades.

In addition to the technical study results, there are several other important issues discussed in the draft IFS report, and we would like to take this opportunity to comment upon them. In most instances we are seeking further clarification than what is currently provided in the draft IFS (especially as it relates to the details of the substation). Secondly, we would also like to express major concerns regarding the inclusion of the Local Furnishing Bond (LFB), and the related analysis and discussion in this study. The inclusion of this issue introduces significant uncertainty at several levels that we would like to bring to your attention. Finally, we disagree with the cost assignment approach employed in this study as it results in allocating additional costs to the South Bay project that may in fact be related to SDG&E's future expansion plans.

After reviewing these comments we would appreciate an opportunity to meet with you and the CAISO so we can discuss these issues prior to the IFS being issued as a final report. I am, of course, also available to talk with you ahead of such a meeting if that is useful. Feel free to contact me at (408) 204-7630.

The draft IFS verifies that the project causes no adverse impacts on the transmission system. We would appreciate it if this fact was stated in a clear, affirmative manner in the IFS conclusion section. On a similar note, page 8 of the draft report indicates that an interim connection to the existing 138 kV and 69 kV switchyard at South Bay plant can be accommodated if construction of the new facilities is not completed in time to support the generation project. We request that the IFS included two statements regarding this interim interconnection: (a) First, the interim interconnection is electrically identical to the final interconnection (as both parties agree that the interim connection represents, if anything, a moving of the final point of interconnection a few hundred yards); (b) Second, a validation that the interim interconnection study is a part of the South Bay IFS and that the interim interconnection, if required, would not require any restudy or re-queuing of the project.

Furthermore, we request that the timing, cost, and cost allocations associated with the interim interconnection be specified in the IFS. It is our understanding that the Memorandum of Understanding (MOU) between Chula Vista and SDG&E calls for the relocation of the switchyard but only *after* the decommissioning and removal of the existing South Bay power plant. This, along with the timelines that SDG&E communicated to us at the our April 10<sup>th</sup> meeting, may influence the timing of when the new final switchyard facilities may be available, and make the contingency value of interim interconnection facilities obvious.

On page 7 paragraph 4 of the draft IFS, SDG&E recommends that the ability to obtain exceptions from CPCN and PTC process will be enhanced if the project developer includes in its application to the appropriate permitting agencies the full scope of “transmission” and “substation” additions and upgrades that will be a part of this project. First, we do agree with the SDG&E recommendation that it would be beneficial for SBEF to include the scope of the substation additions and upgrades directly associated with this project in its application to the California Energy Commission (CEC). To ensure that we can adequately address CEC questions and requirements, we believe that it would be useful to provide more detail about the physical location and nature of the substation additions and expansions. We believe that during our two meetings (held in March and April) all parties expressed confidence in the ability to co-locate the power plant and the switchyard facilities on the balance of the 33 acre site in question (without encroaching on existing 300 foot SDG&E’s transmission easement) and we would like the IFS report to reflect this concurrence. Again, our interest is to facilitate the questions that the CEC would poses as part of its project review.

For the reasons listed above, we request addressing the following four items. First, we believe that the including a PDF version of the CAD/CAM print out shared at the April 10, 2006, as an attachment to the final IFS report will be extremely useful. Inclusion of this drawing (though still in its conceptual stages) is quite important as it has presumably formed the basis of the cost assumptions/information in the report. Secondly, and notwithstanding this request, Figure 2 on Page 10 is an inaccurate and dissimilar representation of the general concurrence that we were able to reach in our meetings about the conceptual orientation and location of the new facilities and it should either be modified or removed.

Thirdly, and equally important to correcting the drawings (i.e., removal of Figure 2 and inclusion of the more accurate conceptual layout) we also request that the draft IFS includes an affirmative statement that acknowledges that the parties agree that a feasible solution for the construction and operation of the proposed substation co-located on the 33 acre site exists without encumbering or encroaching on the SDG&E transmission easement, and consistent with the proposed power plant layout.<sup>1</sup>

Fourthly, related to the substation facilities (or otherwise) we are confused and unsure as to what transmission upgrades were being referred to in the SDG&E statement also appearing on Page 7, paragraph 4. The draft IFS does not identify any transmission upgrades other than the substation located in the vicinity of the project. Please clarify as to what transmission upgrades are being referred to in this statement on page 7, paragraph 4.

We request that SDG&E provide electronic versions of the base cases used to perform the power flow analysis for this interconnection project. We would also appreciate receiving an electronic

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<sup>1</sup> Of note is SDG&E’s stated requirements for a new switchyard in the Chula Vista MOU. SDG&E indicated that it needed approximately 292,500 square feet. The more detailed drawing being referenced here was the one shared with South Bay team at our April 10 meeting exceeds this SDG&E requirement.

version of the Grid View network model, a description of the database used and the electric demand profile used in the Grid View analysis. We require this information for our records.

We have several questions and concerns about the cost estimates provided in the draft IFS report. For starters, we are quite concerned with all of the uncertainty around the cost information listed in Table 3, page 18. The letter “x” is used as a place holder for an unidentified value for Direct Assignment Facility cost. On the other hand, the cost of \$45 million for Reliability Upgrades and \$15 million for the alleged cost differential between the open air and the GIS application are cited without any supporting documents and justification. We request that SDG&E quantify the cost for Direct Assignment Facility costs in the IFS report and provide a detailed breakdown of both the Reliability Upgrade and the Direct Assignment Facility costs. We believe this request is consistent with the agreed upon work scope for this study.

Finally, we would like to express our concern and disagreement with the inclusion of issues related with Local Furnishing Bond (LFB) in this study. We believe this matter should be addressed in other venues or as part of other agreements. This study report addresses two separate factors that may create an Impairment of the LFBs. First is the net outbound flow issue and second is associated with construction of the multi-voltage level switchyard using GIS technology, a program that is allegedly sooner, larger, and more costly than SDG&E would construct solely to service its local furnishing customers. We would like to address this LFB matter in three separate parts.

First, to ensure that examining the LFB issue is, has been in the past, a part of every Generation Interconnection Study process undertaken by SDG&E, we request a definitive statement in the IFS report that verifies that this matter has been explicitly addressed in every generation interconnection study conducted by SDG&E since the start of electric industry deregulation in 1998.

Second, page 6 of the draft IFS report states:

*Separately, SDG&E has completed its assessment in the 2010 time period to determine whether electric energy from the Duke Project in combination with other local generation may cause an actual or deemed cumulative annual net out bound flow of electric energy from SDG&E's wholly-owned electric facilities in San Diego, Orange and Imperial Counties in violation of the Encumbrances set forth in SDG&E's Appendix B to the Transmission Control Agreement with the CAISO. Our analysis reflects that the flows over these points of interconnection are expected to remain in-bound on a net annual basis with the addition of the Duke Project.*

We are pleased with the results of the Grid View analysis in verifying the fact that the net-outbound flow electrical energy produced by SBEF and other local generation facilities will remain in-bound and will not impact the LFB issue. However, we do not believe that this analysis was required in conjunction with the draft IFS for SBEF. As you know, all merchant

generation connected to the CAISO controlled grid has to sign a Participation Generation Agreement which binds the generation owner to comply with the CAISO tariff and all of the operating rules and protocols of that organization. Under the terms of the CAISO tariff and the SDG&E Transmission Control Agreement with the CAISO, the CAISO is responsible for implementing actions that would prevent this situation from transpiring. As such, it is our view that performing the Grid View study as a part of the South Bay IFS was quite unnecessary. We believe that it would be sufficient to add a statement in the Interconnection Facility Agreement that informs the project owner regarding limitation to the plant operations caused by rules imposed by the CAISO to avoid Impairment to LFB.

Third, the issue that gives us the greatest concern relates to implied role of SBEF in determining the ultimate size of the proposed new South Bay substation. The draft report implies (and to an extent asserts) that the SBEF is driving the size and functionality of the proposed substation. For instance, the statement on paragraph 7 page 4 implies that the 138 kV facilities in the switchyard are constructed solely for the benefits of the South Bay project developer. In reality, the 138 kV facilities will benefit all parties: the South Bay project, SDG&E and SDG&E's local and regional customers.

In addition to the above implication, we are also concerned about the proposed sizing of the substation facilities. During our meeting on April 10, 2006, SDG&E shared with the South Bay team that the substation would be designed using the SDG&E's design criteria and that the ultimate size of this facility would be based upon the projected future growth and the transmission expansion needs of SDG&E. Furthermore, we were informed that the projected future growth forecast used in this case exceeds the SDG&E's current planning horizon. Employment of a design criterion that requires building facilities to accommodate speculative future growth has resulted in adding numerous new breaker positions at each voltage level at the substation and they are beyond what would be required by the project and to accommodate the foreseeable future needs of SDG&E. We respect SDG&E's right to design the transmission facility based upon projected growth assumptions however, the cost responsibility and the associated risks of such a design requirement should not be uniquely attributed and the assigned to the South Bay project. This is especially true in this case where the need for the these additional facilities (proposed future build out of this substation) would perhaps not materializing for decades (as it is far beyond the current SDG&E planning horizon. Assigning the cost and permitting risk associated future SDG&E requirements appears to us to be unfair and unreasonable.

Thank you for your careful review and consideration of these comments and we look forward to meeting with you and your team soon to discuss how we can resolve them.

Sincerely,

Ali Amirali, P.E.  
LS Power Generation, LLC